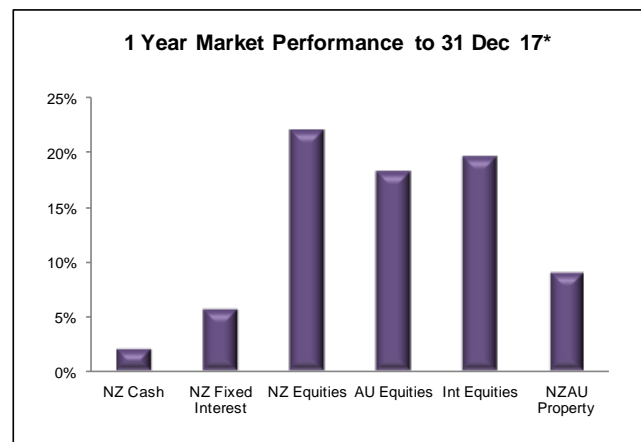
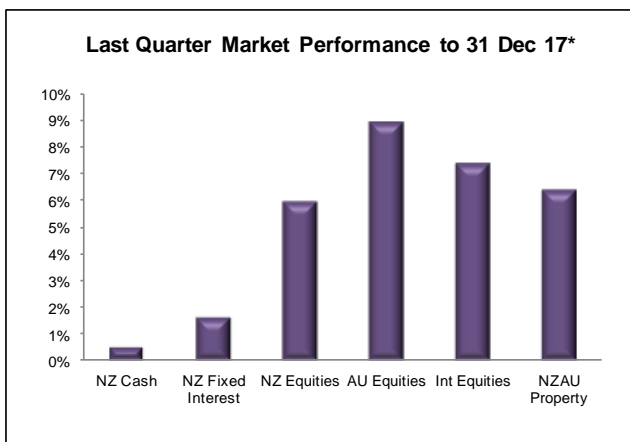


Tirohanga ki te makete mō Hakihea 2017

He moana pukepuke e ekengia e te waka: A choppy sea can be navigated

Market Overview



*Benchmarks; NZX 90D, ANZ Comp A, NZX50, ASX200(NZD) comp, MSCI World (NZD), NZX/ASX200(NZD) PROP comp

With major economies all exhibiting growth, the synchronised momentum has given investors' confidence in the outlook for 2018 and with inflation remaining low, global share markets are at, or near, record highs. The expected increase in the US Federal Reserve Fund rate (range increasing from 0.75% to 1% to 1.25% to 1.5%) and their commencement of the bond selling programme had little impact on bond yields, rising from 2.33% to 2.4% over the quarter.

Politics continued to be the wildcard with war of words from the leaders of North Korea and the US, the continual negotiation with coalition partners in Germany, the Brexit negotiation and developments in the Middle East keeping investors' cautious.

Looking ahead the financial markets will watch inflationary pressure emerging from the substantial US corporate tax cut and any wage increase given the continued growth in employment.

December Quarter Benchmark Performance:



NZ Fixed Interest up 1.6%



NZ Equities: up 5.9%



Australian Equities: up 8.9% (NZD), up 7.6% (local currency).



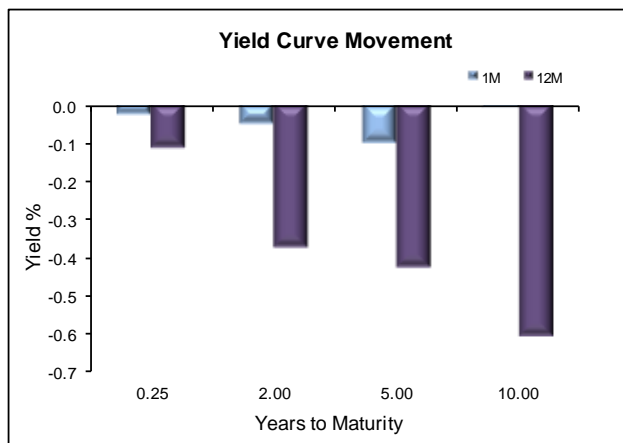
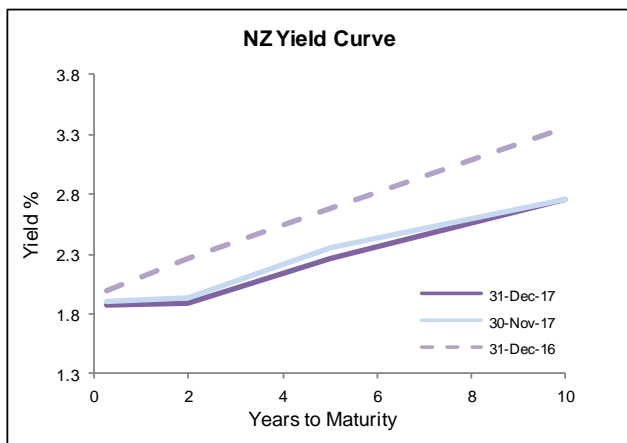
International Equities: up 7.3% (NZD), up 5.3% (local currency).

NZ Cash & Fixed Interest

Bonds (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	704	0.2%	0.5%	1.0%	2.0%	2.6%	2.8%	3.5%
NZX Govt Bond Index	1,671	0.3%	1.7%	2.7%	5.5%	4.8%	4.0%	6.2%
NZX Composite A Grade	4,641	0.3%	1.6%	2.6%	5.7%	4.9%	4.2%	6.4%

Cash rate remains pegged at 1.75% given the absence of inflationary pressure, despite the new Government's spending initiatives. Financial markets were delighted with the minimal changes to the policy target agreement signed with the new Government.

International bond yields rose during the quarter given the economic growth expectation and the beginning of the normalisation process of central banks loose monetary policies. NZ bond yields however declined as the level of new bond issuance in the medium term was lower than expected. Pre-GFC, NZ bond yields were generally 2% higher than the US bond yields but currently the difference is only 0.3%. Something needs to give.



New Zealand & Australian Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	8,398	2.6%	5.9%	10.3%	22.0%	14.7%	15.6%	7.6%
ASX200 (Local)	60,426	1.8%	7.6%	8.4%	11.8%	8.6%	10.2%	4.1%
ASX200 (NZD)		1.2%	8.9%	13.5%	18.2%	10.4%	7.4%	3.8%

Both the New Zealand and the Australian share markets rose to their highest levels in many years on the back of global growth expectation. The NZ market gained additional boost from little changes to the Reserve Bank Act and the comments of a fiscally responsible Government. The Australian share market got a boost from the recovery in commodity prices during the quarter and the takeover offer for the largest property company, Westfield Corporation.

International Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
MSCI World (Local)	4,470	1.1%	5.3%	9.5%	18.5%	9.6%	13.3%	5.6%
MSCI World (NZD)		-2.2%	7.3%	14.2%	19.5%	12.7%	15.1%	5.9%

Prospects of a synchronised global growth in 2018 and the likelihood of continued low interest rates, saw the annual rise of around 20% in the global share markets. The rise led by the US, also saw similar gains from the Japanese share market which had been a laggard in recent years. The US tax cuts should provide significant earnings gains in 2018, particularly for the domestic orientated companies. However, failure of economic boost from the tax cuts could see some retracement from the share markets.

Property (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	1,238	2.0%	4.9%	5.3%	11.1%	9.3%	11.0%	7.6%
ASX200 Property (Local)	3,306	-0.9%	6.7%	6.3%	1.2%	6.2%	7.9%	-3.9%
ASX200 Property (NZD)		-1.6%	7.9%	11.3%	7.0%	7.9%	5.1%	-4.2%
Currencies (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZD / AUD	0.9096	0.7%	-1.1%	-4.5%	-5.4%	-1.6%	2.7%	0.3%
NZD / USD	0.7097	3.7%	-1.7%	-3.1%	2.4%	-3.1%	-3.0%	-0.9%
NZ TWI	74.3	2.7%	-2.7%	-5.3%	-4.3%	-2.1%	0.2%	0.3%
Commodities (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US\$/WTI)	60.42	5%	17%	31%	12%	4%	-8%	-5%
CRB Index	193.86	2%	6%	11%	1%	-6%	-8%	-6%

